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SUBJECT: ARAB FUND DIRECTOR DOWNBEAT ON IRAQ, KUWAITI LEADERSHIP

REF: KUWAIT 605 AND PREVIOUS

Classified By: Charge D'Affaires Alan Misenheimer for Reasons 1.4 (b) a nd (d)

¶1. (C) Summary: Director of the Arab Fund for Economic and Social Development Dr. Abdelatif Y. Al-Hamad told Charge September 10 that "no one inside Iraq cares about Iraq" and the "chaos" there will require another 10-15 years to sort out. He said there has been no progress on lifting Iraq's suspension in the Arab Fund, as the GOI has never come back to the Fund following an October 2006 plan for resuming payment of long-standing arrears of roughly USD 110 million. Dr. Al-Hamad was equally glum about the Kuwait internal political scene, forecasting further gridlock between the government and an emboldened parliament in the face of a weak Prime Minister and Foreign Minister. The Kuwaiti people, he said, had higher hopes for the current Amir, which have not been met. End Summary.

Iraq: Chaos and Instability for Years to Come

¶2. (C) During a courtesy call at the Arab Fund for Economic and Social Development on September 10, the Fund's Director Dr. Abdelatif Y. Al-Hamad told CDA that he remained pessimistic about the situation in Iraq. "No one inside Iraq cares about Iraq," he said. Iraq, he suggested, would require 10-15 years to emerge from the "chaos" in which it finds itself, in accordance with Iraq's history and "the nature of its society." He offered that the U.S.'s major error in Iraq has been to emphasize the religious divisions within Iraqi society rather than playing to Iraqi nationalism. By casting Iran as part of the axis of evil, the U.S. has contributed to the radicalization of the Shia population, Al-Hamad argued, strengthening alliances between Iran and the Shia of Iraq and the region. Within the region, Al-Hamad said, only Iraq can serve as a counterbalance to Shia power. Saudi Arabia cannot fulfill that role, nor can the GCC. The situation is aggravated by extremists and by Syria; Syria, he said, was "prostituting itself" by allowing insurgents to cross the border into Iraq. Hafez al-Assad would have handled the situation differently, Al-Hamad contended, but Syrian President Bashar al-Assad was weak, manipulated, and being convinced to "sell out the country" for the benefit of a few people. Former Syrian VP Khaddam had spoken out, but "twenty-five years too late" Al-Hamad said. All of these factors, Al-Hamad concluded, contribute to ensuring Iraq's instability for many years.

¶3. (C) Al-Hamad outlined for CDA the agreement he thought the Arab Fund had reached with the GOI in October 2006, on the margins of the Iraq Compact meeting in Kuwait, to resume Iraqi debt repayments and over time reinstate Iraq's membership in the Arab Fund, potentially opening the way to

hundreds of millions of dollars in reconstruction assistance.

Al-Hamad said that after signing an MOU with the Arab Fund last year, which outlined a basic repayment scheme, the Iraqis had returned to Baghdad and let the matter drop.

Kuwait: Weak Leadership

¶4. (C) Turning to the internal political situation in Kuwait, Al-Hamad said he had not seen the Amir since the Amir's return in early September from travels abroad, so he had no personal basis on which to gauge the Amir's mood, but he envisioned there would be little change in the negative atmosphere in the country during the next few months.

Parliament would continue to attack the government. The Foreign Minister, he said, was a "nice man but weak." The Prime Minister, he said, was "weak." The Amir, he said, is "sick." Parliament needs to be reined in, Al-Hamad argued, but there appears to be no one up to the task. "We had so much hope for this Amir," Al-Hamad said ruefully. The political infighting within the royal family and the internal conspiracies, he said, were continuing, orchestrated by young rivals for the throne such as National Security Bureau President Shaykh Ahmed Al-Fahd. Sounding the only note of optimism, Al-Hamad did say that the Kuwaitis would manage to pull together in the event of a real crisis, and Kuwait is not yet at that point, he said.

Comment

¶5. (C) Over the last 25 years, Dr. Al-Hamad has served as Finance Minister and Director of the Kuwaiti Fund in addition to managing the Arab Fund. He travels extensively in the

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region and through his work with the Fund regularly interacts with many of the region's leaders. Now in his late 60s, he sees no reason to pull his punches. He is unhesitatingly candid, even by Kuwaiti standards. His disappointment in the Kuwaiti leadership for failing to rule with strength and discipline is almost palpable. It is also widely shared, though few Kuwaitis would voice it as candidly, or convincingly, as Al-Hamad.

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